

Message Text

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DRAFTED BY EB/CSB/BP:WBLOCKWOOD:VJW

APPROVED BY EB/CSB/BP:HJWINTER

JUSTICE - DROSENTHAL

L/EB - TTALLERICO

EUR/NE - JCROWLEY

EUR/CAN - JROUSE

----- 020566

P R 212029Z AUG 75

FM SECSTATE WASHDC

TO AMEMBASSY LONDON PRIORITY

AMEMBASSY OTTAWA PRIORITY

INFO USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ETRD, UK, CA

SUBJECT: ANTITRUST: PROPOSED JOINT VENTURE BETWEEN
PRATT WHITNEY AND ROLLS ROYCE

1. THE DEPARTMENT OF JUSTICE IS CONDUCTING A PRELIMINARY
ANTITRUST INVESTIGATION INTO THE PROPOSED JOINT VENTURES
BETWEEN UNITED TECHNOLOGIES CORPORATION, OF WHICH PRATT
WHITNEY IS A DIVISION, AND ROLLS ROYCE LIMITED FOR THE
DESIGN, RESEARCH AND DEVELOPMENT AND POSSIBLE PRODUCTION
AND MARKETING OF JET AIRCRAFT ENGINES. THE PROPOSED VEN-
TURES ARE FREQUENTLY REFERRED TO AS "JTIOD" AND "RB-401".
THE FORMER RELATES TO DEVELOPMENT OF LARGE COMMERCIAL JET
ENGINES. THE LATTER IS AN UNDERSTANDING ON THE DEVELOP-
MENT OF TURBO-JET ENGINES FOR SMALL AIRCRAFT, INCLUDING
EXECUTIVE JETS. THE PROPOSED JOINT VENTURE FOR SMALL
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ENGINES INCLUDES PRATT WHITNEY OF CANADA, WHICH IS A
MAJOR MANUFACTURER OF SMALL JET ENGINES.

2. JUSTICE HAS RECENTLY BEEN INVESTIGATING THE MATTER

TO DETERMINE IF THE EFFECT OF THE PROPOSED JOINT VENTURES MAY BE SUBSTANTIALLY TO LESSEN COMPETITION OR TO TEND TO CREATE A MONOPOLY IN VIOLATION OF SECTION 7 OF THE CLAYTON ACT. JUSTICE INFORMS US THAT ITS PROBE IS IN THE PRELIMINARY STAGES ONLY. NONE OF THE PARTIES HAS YET

REQUESTED A FORMAL BUSINESS REVIEW. UNDER THE BUSINESS REVIEW PROCEDURE, ONE OR MORE OF THE PARTIES TO A PROPOSED AGREEMENT PROVIDES BASIC DATA ON THE VENTURE WITH A REQUEST FOR A JUSTICE OPINION AS TO WHETHER THE DEPARTMENT HAS A PRESENT INTENTION TO PREVENT THE PROPOSED VENTURE.

3. JUSTICE HAS SENT LETTERS TO THE PARTIES VIA THEIR ATTORNEYS, INCLUDING A LETTER DATED AUGUST 11, WHICH SEEKS BASIC INFORMATION ON THE PROPOSED JOINT VENTURES. THUS, ROLLS ROYCE AND PRATT WHITNEY HAVE RECEIVED OR WILL BE RECEIVING SHORTLY THESE REQUESTS FOR DATA ON THE STRUCTURE OF THE JOINT VENTURES. DURING THE COURSE OF THE PRELIMINARY INVESTIGATION, JUSTICE HAS KEPT THE UK EMBASSY IN WASHINGTON INFORMED OF ITS ACTIONS, AND ALSO HAD INFORMAL DISCUSSIONS WITH OFFICIALS OF THE UK OFFICE OF FAIR TRADING. JUSTICE WILL ALSO CONTACT INFORMALLY THE CANADIAN DIRECTOR OF INVESTIGATIONS AND RESEARCH OF THE BUREAU OF COMPETITION POLICY, AS PROVIDED FOR BY THE MITCHELL-BASFORD AGREEMENT.

4. ACTION REQUESTED: THE PURPOSE OF THIS CABLE IS TWOFOLD. FIRST, DUE TO SUBSTANTIAL UK GOVERNMENT INTEREST IN THIS MATTER, IT IS IMPORTANT THAT EMBASSY LONDON BE INFORMED OF ITS STATUS IN THE EVENT OF ANY INQUIRIES RECEIVED. SECONDLY, SINCE THE PRELIMINARY INVESTIGATION HAS REACHED THE STAGE OF REQUESTING DATA FROM ROLLS ROYCE AND PRATT WHITNEY, NOTIFICATIONS TO THE UK OFFICE OF FAIR TRADING AND THE CANADIAN BUREAU OF COMPETITION POLICY SHOULD BE MADE IN ACCORDANCE WITH THE 1967 OECD RESOLUTION. REQUEST THAT THESE OFFICES BE NOTIFIED OF LIMITED OFFICIAL USE
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THE INVESTIGATION, NOTWITHSTANDING THE FACT THAT THE UK GOVERNMENT IS ALREADY AWARE OF THE MATTER. JUSTICE SUGGESTS THAT EMBASSY LONDON ENCOURAGE ROLLS ROYCE TO SUBMIT A FORMAL BUSINESS REVIEW REQUEST. THE ADVANTAGE OF A BUSINESS REVIEW IS THAT IT IS THE ONLY AUTHORIZED PROCEDURE UNDER WHICH JUSTICE STATES ITS PRESENT ENFORCEMENT INTENTIONS WITH REGARD TO PROPOSED BUSINESS CONDUCT SHORT OF LITIGATION. REQUEST REPORT ANY REACTIONS TO YOUR NOTIFICATIONS. MAW

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<< END OF DOCUMENT >>

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